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After rio: the question
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AFTER RIO: THE QUESTION OF INTERNATIONAL INSTITUTIONAL REFORM

By

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Introduction

Two and a half years after Rio, it is still too early to pronounce judgement on its final results. This will depend on what governments and others do now to give effect to the agreements reached at Rio - a statement of principles in the Declaration of Rio and a comprehensive program of action, Agenda 21, designed to give effect to these principles. Also framework treaties on climate change and biological diversity were negotiated as part of the Rio preparatory process and opened for signature at Rio. Both have now come into force. An agreement has now been reached on another convention of particular importance to many developing countries, the Convention on Desertification, which was initiated by the Rio process.

Despite some shortcomings, the agreements reached at Rio represent the most comprehensive and far-reaching program for the future of the Earth ever agreed to by governments. The fact that these agreements were reached by virtually all the nations of the world, most of them represented at the highest political level, surely gives them a unique degree of political authority. But, as I made clear in my final statement at Rio, this does not guarantee that the agreements will be implemented. So far the record is mixed at best. To some degree this is understandable. A plethora of immediate and pressing political and economic concerns have been pre-empting the attention of government and people since Rio.

Most disappointing, is the lack of response by OECD countries to the need of developing countries for additional financial resources. All governments at Rio agreed that additional resources are required to enable developing countries to make their transition to sustainable development. The rich have seldom felt more poor than they do today. What is particularly discouraging is that progress towards meeting these needs has actually been set back further since Rio as a number of donors have reduced their Official Development Assistance (ODA). And all the signs currently point to further reductions accompanied by a diversion of resources that might have been available for development assistance to meet growing emergency humanitarian needs as well as the needs of the countries

of the former Soviet Union for the rebuilding of their shattered economies.

However, there have been some positive developments. Many developing countries have taken steps to implement the measures called for in Agenda 21 despite the fact that Rio's promises of additional financial resources remain unfulfilled.

At the international level, the United Nations Commission on Sustainable Development has been established as the forum for continuing governmental consultation and cooperation in following up, and implementing, the agreements reached at Rio. And a High-Level Advisory Board on Sustainable Development has been established to advise the UN Secretary-General on Agenda 21 implementation issues.

After Rio: The Global Environment Facility and a New Role for the Trusteeship Council

Following the Earth Summit, agreement was reached after protracted and difficult negotiations on the replenishment of the Global Environment Facility (GEF) with unique modalities for governance which give developing countries a larger role than they have in the Bretton Woods institutions. The GEF is a far cry from the much more ambitious vision of the late Rajiv Gandhi when he proposed the creation of a "Planet Protection Fund." But it provides the foundations on which the international community can continue to build as the imperatives of the future will inevitably require more enlightened, innovative, and substantial responses to the resource needs of developing countries than have yet been forthcoming on the part of the major industrial nations.

On another front, *Our Global Neighbourhood*¹, the recently released Report of the Commission on Global Governance, recommends that the global commons should be subject to trusteeship exercised by a body

¹ Report of the Commission on Global Governance, *Our Global Neighbourhood*, (Oxford: Oxford University Press, 1995).

acting on behalf of all nations. The nature of the responsibilities involved makes it appropriate that this body be a principal organ of the United Nations. The Commission therefore proposed that the Trusteeship Council, now free of its original responsibilities, be given the mandate of exercising trusteeship over the global commons.

Role of Civil Society

As stated in *Our Global Neighbourhood*, when speaking of issues related to global governance and international institutional reform, it is imperative "to take account of this emergence of global civil society. The crucial role that these new actors play in the management of global affairs requires a reassessment of the relationship between the UN and its family of organizations and the growing world-wide array of organized non-state activity."² There are many added values to be gained by the participation of concerned citizens in the policy and decision-making processes that affect them, whether at the national, regional or local level. Individuals, citizen's groups, and non-governmental organizations can offer knowledge, skills, enthusiasm, a non-bureaucratic approach, and grass-roots perspectives that can complement the resources of official institutions and agencies. This is especially true in the area of sustainable development. Civil society groups can play an important role in identifying genuine development needs and increase the likelihood of success. For this reason, the Commission on Global Governance also recommended that the functions of the Trusteeship Council, in its new role, be examined to determine how best it might benefit from contributions of civil society organizations.

Many of the most exciting and promising post-Rio developments are occurring outside of government, where there has been a virtual explosion of activities and initiatives on the part of grass-roots organizations, citizen's groups and other key sectors of civil society. It is evident that people returning from, or inspired by, Rio are determined to translate its basic themes into their own responses to Agenda 21. Engineers and architects, through their international bodies, have committed their professions to sustainable development and to cooperative programs designed to sup-

port implementation of Agenda 21 in their sectors. The Business Council for Sustainable Development has merged with the International Chamber of Commerce's World Industry Council for the Environment to form the World Business Council for the Environment. Many of the world's cities are establishing their Agenda 21 under the aegis of the International Council of Local Environmental Initiatives. Similar initiatives are proliferating at the community and sector levels in every region of the world.

Particularly promising has been the initiative of more than eighty countries in establishing National Councils of Sustainable Development, or similar bodies, as multistakeholder forums in which representatives of government and various key sectors of civil society can consult and advise on the development and implementation of Agenda 21 at the national level and provide guidance and support for similar initiatives in local communities.

Another unique example is the Earth Council, headquartered in San José, Costa Rica. It is a new kind of global, non-governmental organization, designed to act as a catalyst to facilitate and support the implementation of, and follow-up to, the results of Rio. In doing so, the Earth Council consults and cooperates with a network of some 25,000 organizations (most of them of a grass-roots nature), including a broad cross-section of development, environmental, social, and public policy leaders and experts throughout the world. Its principal mission is to help link people at the community and grass-roots level with the broad policy and decision-making processes which affect them, to amplify their voices in these processes, (voices that are too seldom heard or heeded), and to support their own initiatives.

Redefining the Global Economy

These are all hopeful signs, but they are not enough. The evidence produced for the Earth Summit made it clear that what is needed is fundamental change in the dynamics and the direction of our economic life based on changes in our economic behaviour at every level of society. The changes called for at Rio are fundamental in nature, and fundamental change does not come quickly or easily. It is therefore not surprising, though

² *Ibid.*, p. 253

nonetheless disappointing, that this basic change has not yet occurred. Until it does, we will, despite our rhetoric and good intentions, continue to move in a direction that is simply not sustainable.

Meanwhile, there have been some profoundly important changes in the dynamics of the global economy which are reshaping the economic and political geography of our industrial civilization and defining its future. Prospects for achievement of the goals set at Rio and the implementation of its Agenda 21, are inextricably linked to the complex set of issues through which these changes are occurring.

One of the most important dimensions of these changes is the dramatic shift now taking place in the configuration of economic and political power between the developing countries and the traditional industrialized countries.

Today developing countries are leading the revitalization of the global economy. Many developing countries are growing. Not all of them to be sure. The economic growth of many of the poorest, as well as the conflict-ridden countries of Africa, has stalled or declined. But in Africa too, notably Uganda and Ghana, some economies are on the move again, and with the historic transformation to multi-racial democracy in South Africa, it is expected to lead Southern Africa into a new era of economic progress. Most of the new growth in the developing world is occurring in Asia and Latin America, and India is rapidly becoming one of the most dynamically growing economies.

A recent World Bank report points out that, even in the two decades from 1974 to 1993, developing countries as a whole grew at a rate slightly higher (3%) than the rich industrial countries (2.9%) and are expected to grow by almost 5% per year in the next decade compared with 2.7% in the traditional industrial countries.

On this basis, as noted in *The Economist's* survey of the global economy in January 1995, China will replace the United States as the world's largest economy by 2020, and 9 of the top 15 economies of the world will be today's developing countries. India will replace

Germany as the fourth largest economy. The same survey projects that the developing countries' share of world output will grow to 62% by 2020 while that of the rich industrial countries will decline to 37%.

The G7, which today does not include a single developing country, is clearly becoming an anachronism. The current "world order" continues to be rooted in the past, particularly our notions of north-south relationships.

The basic character of the economies of the developing countries is also undergoing a major transformation. Most have moved beyond their traditional role as exporters of raw materials and commodities. Manufactured goods now constitute some 60% of developing country exports as compared to only 5% in 1955. And their share of world manufacturing exports rose from 5% in 1970 to 22% in 1993.

The major movement of economic growth to the south evokes mixed feelings, and responses, from the traditional industrialized countries. On the one hand, the export industries of the OECD countries have welcomed, and have been quick to exploit, the opportunities that have opened up in the rapidly growing economies of the developing world. A recent OECD report postulates that if China, India, and Indonesia continue to grow at their current rates, without changing current patterns of income distribution, some 700 million people in these three countries alone (more than the combined populations of America, the European Union and Japan) will, by the year 2010, have an average income equivalent to that of Spain. This compares with only 100 million today.

On the other hand, OECD countries increasingly view developing countries as competitors. Low labour costs and rising productivity are making southern manufactured products highly competitive in northern markets, which keeps consumer prices down but evokes strong and growing resistance from those in the industrial countries who see their investments and jobs at risk.

Trade and Sustainable Development

Such powerful voices as those of Sir James Goldsmith, now a member of the European Parliament, have joined in the chorus of those who predict that freer trade with developing countries will lead to massive movement of industry to the Third World and mass unemployment in OECD countries as well as in developing countries. Similar concerns are beginning to surface in Japan.

Political turbulence, conflict and economic hardship in parts of the former Soviet Union and the developing world are creating increased pressure for migration at a time when most countries are tightening their borders against those who are uprooted, dispossessed, and persecuted. In industrialized countries, attitudes are hardening even towards those immigrant peoples who have made important contributions to the economies of their host nations. Despite the movement towards a global economy and more open trading system, I see signs of a "fortress north" mentality developing in the wealthy industrial countries which would not bode well for future relationships with the developing world.

At the same time, environmentalists have protested that free trade will encourage growth based on models that are unsustainable in developing countries, at the expense of the environment, and tend to lower overall environmental standards. These concerns resulted in unilateral action on the part of the United States to ban tuna imports from Mexico and led to the incorporation of the "side agreements" on environment and labour in NAFTA.

Developing countries feel that environmental concerns may be used as a pretext for new protectionist measures which would inhibit their development and exports. We must recognize that the position taken by some environmentalists - even recently in activating voluntary bans on lumber from British Columbia in Canada - lend credence to those fears.

All of this means that the environmental dimension will become a much more important and controversial factor in trade negotiations and their implementation in the period ahead.

Rich, Poor, North, South

As we enter the 21st century, our common need to protect the environment and life support systems of our planet provides a new dimension to the north-south relationship. Industrialized countries have a responsibility to reduce their demands on the Earth's resources and environment and leave "space" for developing countries to grow. Their right to grow cannot be denied. Nor should it be constrained by conditions imposed on them in the name of the environment. If the developing countries are becoming the primary engines of economic growth, how they manage their growth will be the key to our common environmental future. The war to ensure a secure environment for all the people of the Earth — rich, poor, north, and south will be won or lost in the developing world, and most particularly in Asia.

In the context of economic liberalization, there is an urgent need to counteract the growing disparities that would otherwise undermine development goals because:

- over-consumption and waste by the rich, together with resource destruction by the poor, is ecologically unsustainable;
- it ultimately undermines productivity;
- it will give rise to social instability; and
- it is patently inequitable.

New Dimensions of Cooperation

What is at risk in this transition is the survival and well-being of the human species. As the Earth Summit made clear, this well-being requires new dimensions of cooperation amongst the nations and peoples of our planet and, most of all, a new basis for relationships between the rich industrialized countries and the developing world — one that is based on true partnership, shared (though differentiated) responsibilities, mutual respect, and equity. A smooth transition means recognizing the special responsibilities of the traditional industrialized countries as the principal sources of the damage that has already been done to the global environment and the main beneficiaries of the

processes of economic growth which have given rise to them. It must be based on the willingness of these countries to accord to the indispensable services that the developing countries provide to the world community (for example, as custodians of most of its precious and irreplaceable biological resources and life-supporting ecosystems) and the real value of these services. This value must be reflected in the terms of trade and the prices industrialized countries pay for the relevant products of the developing countries and must provide for the kind of equitable access to technologies and the sharing of intellectual property that is called for in Agenda 21.

This calls for innovative new mechanisms and instruments for transfer of financial resources and technologies. For example, a global system of tradeable emission permits to channel funds for environmental protection to the places where they can be used most cost-effectively. Of particular importance is the need for radical changes in the policies and expenditure priorities of governments and a substantial reorientation of the system of incentives and penalties by which governments motivate the economic behaviour of individuals and corporations.

Mere efficiency is not the object of these changes, but rather real improvement in the capacity of those who respond to the directions to meet the needs, and to serve the interests, of people. People must not only be the main beneficiaries of sustainable development, but also its prime movers. The ultimate goal of sustainable development is to enable people to achieve sustainable livelihoods. Nations everywhere are now encountering the limits of governments - limits on their capacity to meet the expectations of their electorates, limits on the willingness of people to accept new taxes, and their citizens' insistence on a greater degree of cost-effectiveness, transparency, and accountability on the part of governments. This is directly related to the movement that has taken place towards more democratic forms of government throughout the world.

A series of paradoxes is developing that will soon confront both industrialized and developing countries with some very painful tensions and challenges. While efficient and competitive economies produce more gross national product, the benefits accrue dispropor-

tionately to the minority with capital and knowledge to deploy. This class is highly mobile and those in it can move their assets and activities across national borders. They will exercise these options when they have to bear too great a burden of taxes to support the cost of maintaining a disproportionately large and costly government and to provide welfare for the elderly, the needy, the under-skilled, and the unemployed. These people are largely not mobile and, indeed, there are more and more barriers to their movement.

Thus, the gaps between rich and poor, privileged and underprivileged, will tend to grow, both within and amongst societies. This process, if it is not reversed, will inevitably lead to greater social tensions and potential for conflict. In the early stages of a major new cycle of economic growth, these pressures may be relieved as some of the benefits trickle down to the poorest sectors of society. This happened in the United States between 1929 and 1969, and I understand that there is evidence that it is now occurring to some extent in developing countries like India. But the fact that modern, competitive, industrial societies require proportionately less labour and more capital will ultimately lead to widening, and entrenchment, of the rich-poor gap, as the current experience of the United States and the United Kingdom demonstrates.

Democratic, market capitalism must find ways of dealing with these emerging dilemmas or risk becoming the victim of its own success. It must become just as effective at meeting society's needs as it is in generating economic growth. Where large sections of society are denied the ability to participate in the benefits of the prevailing economic system, that system will not be sustainable. A mercantile society without a soul, however successful it may be in material terms, will not be sustainable.

Institutional Reform

The unprecedented complex of challenges faced by national societies becomes even more daunting as we confront its implications for global governance. For as the realities of global interdependence have opened up vast new opportunities accompanied by a new generation of global risks, they have also imposed new constraints on the capacities of individual nations to

deal with these challenges. This makes cooperation amongst nations more and more necessary in respect of the increasing number of issues that even the largest nations can no longer deal with alone. It requires a new look at the international organizations and processes through which nations cooperate to manage these issues.

The G7 Summit meeting in Halifax, and the 50th Anniversary this year of the Bretton Woods institutions - the World Bank and the International Monetary Fund - and the 50th Anniversary in 1996 of the founding of the United Nations, provide a timely opportunity to review and revisit the structure and mandates of these organizations which constitute the principal system of multinational organizations at the global level. This must be accompanied by a review of the relationship of these global institutions with the large number of regional and special purpose organizations outside of the UN and Bretton Woods system which play roles of growing importance.

These issues were examined in depth by the Commission on Global Governance, co-chaired by Prime Minister Ingvar Carlsson of Sweden and former Commonwealth Secretary-General, Sir Shridath Ramphal of Guyana, of which I was privileged to be a member. I believe that its report has made an important contribution to this dialogue. What is clear is that the global system of governance needs substantial strengthening and reorientation if it is to provide the services that the world community will require of it in the coming years.

The issue of reform of multilateral institutions, principally the United Nations and the Bretton Woods institutions, is now the subject of a great deal of attention. Indeed, it has become a veritable industry. Many proposals are being made for fundamental changes, particularly for changes in the Charter of the UN. Certainly such changes are necessary and inevitable. But the difficulties that must be surmounted are formidable and agreement will not be achieved quickly or easily.

Making the UN More Business-Like

In the meantime, my own experience in the UN suggests that much can be done to improve its effective-

ness and its service to its member states and the world community through improvements in its management. These need not await agreement on charter change. UN Secretary-General Boutros-Boutros Ghali has initiated a promising process of change and it is important that governments engage themselves strongly in support of management changes that will make the United Nations system more effective. The same is true for the Bretton Woods organizations. More effective management of these organizations will give governments greater confidence in them and improve the prospects for agreement on the kind of charter changes that are needed.

Without dwelling too much on the nature of these changes, let us say only that they must give effect to the new configuration of economic and political power that has emerged since the institutions were established a half-century ago. Provision must be made for the prospect of continuing change. The United Nations Security Council and the composition of the Boards of the World Bank and the IMF must reflect the growing power of the developing countries as well as the leading roles of Japan and Germany. It will require a major act of statesmanship, equivalent to that which led to the creation of the Bretton Woods institutions and the United Nations in the aftermath of World War II, to effect these changes in a way which will provide all member states - the major powers, the middle powers and the poor and the weak - with confidence in the integrity of the organizations and their capacity as well as their will to meet the needs and protect the interests of all nations.

The system will not function effectively if it is viewed by the majority as responding primarily and selectively to the interests and priorities of the powerful few; nor can the system be effective if the most powerful feel that it is hostile or apathetic to their interests. The poorest and weakest of nations, and those experiencing troubles that impinge upon their national viability, should be a particular priority for attention. In these times, this will include some of the least developed and most disadvantaged nations of Sub-Saharan Africa which face special hardships as a result of their history, climate, inadequate resources, and late entry into the processes of modernization. Special attention too should be devoted to protecting and advancing the

rights of minorities, particularly of women and indigenous peoples.

The UN Social Summit to be held in Copenhagen, Denmark, in 1996, provides a timely opportunity to focus on the social dimensions of the changes to which I have been referring here, and the Habitat II conference in Istanbul will address the immense challenges of urbanization. It is also encouraging to note here that one of the most important treaties ever negotiated by the UN, the Law of the Sea, has finally come into force, establishing an international regime for exploitation and protection of the resources of the oceans - some 70% of the area of our planet.

Greater provision must also be made for dialogue and cooperation with the non-governmental organizations of civil society, building on the experience at the Earth Summit as well as the recent UN conference on Population and Development in Cairo. More reality should be accorded to the "We the people..." introduction to the preamble to the UN Charter, and this can be done without in any way infringing on the basic power and responsibilities of member states.

Conclusion

I am convinced that the radical changes now occurring in our society are producing a historic convergence between our traditional perceptions of relationships between the practical aspects of human life and its moral and spiritual dimensions. It has too often been assumed in the past that there is an essential dichotomy between the "real world" of practical affairs and the more ethereal, ideal, world of morals and spirit. One of the most encouraging insights I have derived from my own experience dealing with the environment is that it requires us to realize that the key to our common future lies in taking seriously, and applying in our lives, and in our relationships with each other as people and as nations, the values and ideals that are rooted in our moral and spiritual traditions. Concepts of mutual respect, caring for, sharing with, and cooperating with, our brothers and sisters, both at home and internationally, can no longer be seen as mere pious ideals divorced from reality, but as indispensable prerequisites for our common survival and well-being.



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